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TAGS: [EFIN](#) [PREL](#) [ECON](#) [IZ](#) [JO](#)

SUBJECT: U/S LARSON MEETING WITH JORDAN'S FINANCE MINISTER

REF: A. 11 MAY 2004 MULENEX-DEUTSCH/POWELL/KHALILZAD

E-MAIL

[B](#). STATE 55050

[C](#). STATE 52681

Classified By: DCM David M. Hale. Reasons: 1.5(B, D)

[1](#)1. (S) SUMMARY: Under Secretary of State for Economic, Business, and Agricultural Affairs Alan Larson met May 15 with Government of Jordan (GOJ) Finance Minister Mohammad Abu Hammour on the margins of the World Economic Forum (WEF) to seek comments on the G-8 draft plan of support (Ref A). Abu Hammour agreed to review the paper and provide comments. On Iraqi assets, Abu Hammour volunteered that the GOJ this week would be releasing a tranche of USD 15 million to the Development Fund for Iraq (DFI), bringing the total transferred to date to USD 250 million. He indicated a final tranche of about USD 50-70 million would go to the DFI by the end of June. He also indicated there were no accounts in Jordan related to Hamas or the Saddam Hussein family (Refs B, C). The finance minister proudly reviewed a record budget surplus in the first quarter of 2004 due to the fiscal discipline advocated by his ministry, which he said had won praise in an IMF report now in draft. Abu Hammour also reviewed the effects on the budget of lagging foreign grants and oil price increases. END SUMMARY.

[1](#)2. (SBU) Under Secretary Larson met with Abu Hammour on the margins of WEF to raise the draft G-8 Plan of Support (Ref A), asking him to review some of the ideas for meeting the needs of the region and saying the USG welcomed any feedback. The U.S. sought views widely on this "draft" so that any proposal would be derived from regional support, he said. Abu Hammour promised to review the draft plan and provide reactions.

Iraqi Assets: Transfers By End of June

[1](#)3. (SBU) On Iraqi assets, Abu Hammour volunteered that all Jordanian claims would be resolved by the end of June and that the GOJ would transfer the remaining amounts to the DFI by then. Earlier in the week, the minister said, he had ordered the transfer of an additional USD 15 million, bringing the total transfer to date to the round figure of USD 250 million. The balance of Iraqi accounts remaining in Jordan was about USD 120-130 million, he said, of which USD 50 million was the Rafidain Bank's operating capital. Abu Hammour said the GOJ would need about USD 10-20 million more to settle the final claims by Jordanian firms.

[1](#)4. (SBU) Larson thanked Abu Hammour for the GOJ's help on recovering Iraqi assets. It was very important for the DFI to receive additional assets as events moved along. He expressed the hope that the GOJ would help to rectify any claims paid to Jordanian firms that later proved to be incorrect. Abu Hammour gave his assurance that the GOJ did not pay 100 percent of any Jordanian company's claim if the trader did not provide the full set of documents of the completed trade transaction. The GOJ paid only 80 percent on largely complete claims missing any of the required documents, he said, and demanded complete documentation.

[1](#)5. (S) On Hamas accounts and Saddam Hussein family and related accounts (Refs B, C), Abu Hammour indicated that the GOJ had not found any such accounts.

Positive First-Quarter Economic Trends

[1](#)6. (SBU) Abu Hammour gave an overview of Jordan's positive first-quarter economic trends. Jordan had a record surplus for the period, registering a JD 154 million budget surplus. He later noted that the IMF had prepared a draft report commenting favorably on the performance. He attributed the surplus to cuts in spending and the GOJ's ability to generate more revenues through better collection of income taxes and stronger customs receipts. Customs receipts were up 15 percent compared to the same period last year, he said, due to a 35 percent growth in imports.

[1](#)7. (SBU) The financial impact of the discretionary measures

(rise in general sales tax rate) the GOJ took in April will start to appear in June and July. To date, the impact of high world oil prices has cost the budget an additional JD 160 million, he noted. Fortunately, Saudi Arabia had offered Jordan 50,000 barrels of oil per day, which will help cover the remaining subsidy on petroleum products and cover the foreign grants shortfall in 2004. The government had not yet received JD 50 million promised by the EU for the period, he noted.

18. (SBU) Given the first-quarter budget surplus, Abu Hammour said he was confident that the GOJ would meet or even better its 3.9 percent budget deficit target of JD 293 million.

19. (U) This message was cleared by U/S Larson.

110. (U) Baghdad minimize considered.
GNEHM